

# **AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON MOPANI DISTRICT MUNICIPALITY**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the Mopani District Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mopani District Municipality for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended are prepared, in all material respects, in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and in the manner required by the MFMA.

### **Emphasis of matter**

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

### **Significant uncertainties**

9. As disclosed in note 36 to the financial statements, the municipality is the defendant in a defamation lawsuit. The municipality is opposing the claim, as it believes the claim to be unjustified. The ultimate outcome of the matter cannot be determined presently, and no provision for any liability that may result has been made in the financial statements.

### **Additional matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Unaudited supplementary schedules**

10. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited this and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

11. As required by the PAA of South Africa and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

### **Predetermined objectives**

12. Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below:

### **Non-compliance with regulatory requirements**

#### **Existence and functioning of a performance audit committee**

13. Mopani District Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

### **Compliance with laws and regulations**

### **MFMA**

#### ***The financial statements were not prepared in accordance with applicable legislation***

14. Contrary to section 122(1) of the MFMA, the municipality did not prepare financial statements that fairly present its state of affairs as material misstatements were corrected during the audit.

### **INTERNAL CONTROL**

15. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
16. The matters reported below are limited to the significant deficiencies regarding the basis for the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

- Oversight responsibility*

- The accounting officer did not always exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

- **Financial and performance management**

- Quality, reliable financial statements and management information*

- The financial statements and other information to be included in the annual report are not reviewed for completeness and accuracy prior to submission for audit by the chief

financial officer. The financial statements were subjected to material amendments resulting from the audit.

- **Governance**

- Risk identification and management*

- Internal controls are not selected and developed to prevent/detect and correct material misstatements in financial reporting.

*Auditor-General*

Polokwane

21 April 2011



AUDITOR-GENERAL  
SOUTH AFRICA

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